

Questions & Answers about Utilities Privatization

Q. What is utilities privatization?

A. Utilities privatization is a program whereby the private sector, including municipalities and other regulated, or non-regulated, utility companies, may own, operate, maintain, improve and assume responsibility for Air Force utility systems, where doing so is economically advantageous and national security is not adversely affected.

Q. What utilities are included?

A. Water, wastewater, electric, and natural gas utility systems are being specifically addressed across the Air Force. Major commands and bases also have the option of privatizing systems for the generation or supply of steam, hot water, and chilled water; and systems for the transmission of telecommunications.

Q. Why are utilities being privatized?

A. Privatization of utilities has long been discussed in the Department of Defense. In 1998, the Secretary of Defense directed the military departments to develop plans to privatize utilities on military bases.

Q. Why?

A. The Air Force spends millions each year on energy facilities. By divesting itself of these utilities, the Air Force can focus its resources on the mission instead of repairs and upgrades.

Q. How much will privatization save the Air Force?

A. Utilities Privatization may not save the Air Force money; however, the Air Force still benefits by having its utilities brought up to industry standards while it focuses its resources on its wartime mission. We'll know more about possible cost savings and avoidance as the privatization process continues and we review bids.

Q. Will every base have its utilities privatized?

A. Every base will be reviewed; however, we will proceed with privatization only if it is economically advantageous and national security is not adversely affected.

Q. What happens if a contract is not awarded at a base?

A. If privatization is not economical then we will examine other potential cost saving measures such as competitive sourcing, or energy savings performance contracts.

Q. What impact will this have on individual installations?

A. Ideally, there will be no mission impact and the entire transfer will be invisible to just about everyone on base. The new utility owner will become another part of the base team dealing primarily with the Base Civil Engineer.

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For more information on Air Force Utilities Privatization, go to our web site at: www.afcesa.af.mil

The following is a small sample of what you will find:

- Air Force Policy and Guidance Manual
- Latest Policy and Guidance Memorandums
- Defense Reform Initiative Directives
- Lessons Learned
- AF Publications
- HQ USAF approved Request for Proposal (RFP) Template
- Air Force and DoD Utilities Privatization links
- Hot Utilities Privatization Topics
- Upcoming events
- RFP Issue Dates



U.S. Air Force Utilities Privatization

May 2000 Update



Presented by:
Headquarters Air Force
Civil Engineer Support Agency
Tyndall AFB, Florida



" . . . , the Department will privatize all utility systems (electric, water, wastewater, and natural gas) except those needed for unique security reasons or when privatization is uneconomical.

William S. Cohen
Secretary of Defense
SECDEF Reform Decision
10 Nov 97

History

The Secretary of Defense's Defense Reform Initiative Directive (DRID), released 10 November 1997, directed the privatization of all DoD utilities (electric, water, wastewater, and gas) by 1 Jan 00 except those needed for unique security reasons or when privatization would prove uneconomical. DRID #9, signed by the Deputy Secretary of Defense on 10 December 1997, formalized the requirement.

Following initial submittal of implementation plans by the Services in April 1998, the Deputy Secretary of Defense revised its goal to accommodate award of privatization contracts for all utility systems by 30 September 2003. To ensure progress towards this new goal, Military Departments are required under DRID #49 to adhere to two interim milestones. The first requires the completion by September 30, 2000 of a determination for all systems of whether or not to pursue privatization. The second interim milestone requires all solicitations to be released no later than September 30, 2001. The Deputy Secretary of Defense subsequently refined guidance for implementation of the DRID which sets forth criteria as to how the Military Departments shall conduct all utility privatizations. The legislative authority for this action is contained in Title 10, §2688, Utility Systems Conveyance Authority, of the United States Code.

Air Force Commitment

" . . . A great deal of effort at the Air Staff, MAJCOMs, and Installations has been directed to make this happen. In addition, the Air Force has committed \$92 million to support your installations in this process."

Mr. Ron Orr
Asst Deputy Chief of Staff, Installations & Logistics
12 Dec 1999

This statement from our champion for Air Force Utilities Privatization, Mr. Ron Orr, is a clear indication of the commitment there is within the AF community to make this a successful effort. Privatization will happen because of the commitment of the team members.

Air Force Utilities Privatization
Team Members

Installation/Wing Commanders

Responsible for initiating and guiding the project through the utilities privatization process in order to meet MAJCOM milestones.

Major Commands (MAJCOMs)

Primarily responsible for executing the privatization program and providing support to installations.

Deputy Chief of Staff for Installations and Logistics
(HQ USAF/IL)

Tasked by the Secretary of the Air Force to champion the Utilities Privatization Program. Oversees Air Staff, MAJCOM and AFCESA program activities. Conducts periodic MAJCOM project status reviews for meeting the Air Force Plan and OSD Goals. Empowered to keep the program on track by resolving issues.

Deputy Chief of Staff for Installations and Logistics, Civil
Engineering Directorate (HQ USAF/ILE)

Responsible for developing and publishing program policy and guidance for MAJCOM execution. Provides program oversight over entire process and submits programming requirements.

Air Force Civil Engineer Support Agency (HQ AFCESA)

Facilitates program execution by providing project managers for each base and technical expertise in engineering, privatization, and contracting support matters to HQ USAF/ILE, MAJCOMs, and installations.

Utilities Privatization Integrated Process Team (IPT)

- ★ Chaired by HQ USAF/IL
- ★ Includes members with expertise in utility operations and construction management
- ★ Serves as AF advocate for the program
- ★ IPT members include:
 - Privatization (AF/ILEI)
 - Engineering (AF/ILEC)
 - Environmental (AF/ILEV)
 - Operations & Maintenance (AF/ILEO)
 - Readiness & Work Force Mgmt (AF/ILEX)
 - Programs (AF/ILEP)
 - Directorate of Manpower & Organization (AF/XPMS)
 - Air Force Civil Engineer Support Agency (AFCESA)
 - Air Force Center for Environmental Excellence (AFCEE)
 - AF Real Estate Agency (AFREA/DR)
 - Budget and Cost (SAF/FMBO & SAF/FMCE)
 - Acquisition (SAF/AQCO)
 - Installations (SAF/MII)
 - Legal (SAF/GCN and AFLSA)

Air Force Utilities Privatization Process

The utilities privatization process includes preliminary screening followed by a three-phase execution process for viable candidate systems.

The Preliminary Screening is performed for all programmed utility systems to determine which systems are exempt from privatization for readiness or unique security reasons. Exemption decisions are made by the SAF.

Phase I – Project Plan and Feasibility Analysis consists of the following steps and produces the Feasibility Analysis Report:

- Establish Privatization Team
- Draft Project Plan
- Revalidate Readiness Requirements
- Conduct Regulatory Review
- Perform Utilities Requirements Assessment
- Perform Industry Market Analysis
- Perform Operational Impact Analysis
- Develop a Preliminary Economic Analysis

Phase I concludes with a Go/No-Go decision letter by the Installation Commander to Air Staff that the project is proceeding to Phase II or that privatization is not feasible.

Phase II - The Comprehensive Analysis Phase consists of the following steps and results in a Draft Comprehensive Analysis Report:

- Initiate and Complete EIAP
- Draft Real Estate Documentation
- Draft Employee, Operational, and Post-Award Transition Plans
- Develop a Source Selection Plan and Acquisition Plan
- Establish Evaluation Criteria
- Draft Request for Proposal (RFP)

Phase II concludes with a decision by the Source Selection Authority to finalize and issue the RFP.

Phase III - The Final Feasibility, Approval, and Implementation Phase consists of the following steps:

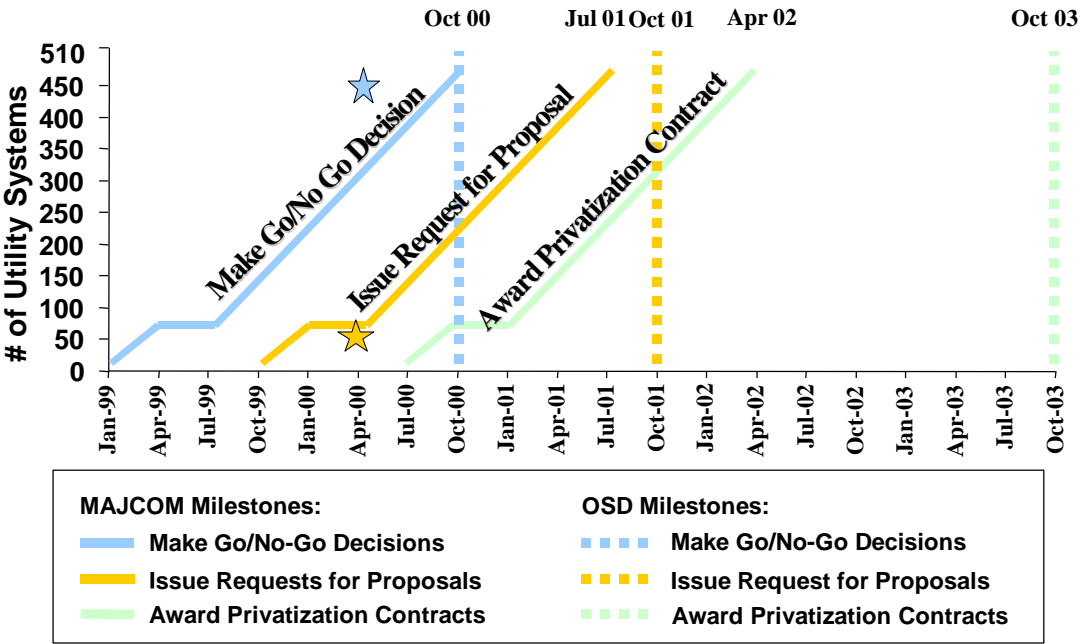
- Finalize and Issue RFP
- Evaluate Proposals
- Prepare a Certified Economic Analysis (EA)
- Finalize Transition Plans
- Finalize Real Estate Instrumentation
- Finalize Comprehensive Analysis Report
- Submit Approval Package (e.g., Project Summary Report and Certified EA) to SAF/MII

Following SAF/MII approval of the project, SAF/MII will coordinate Congressional notification. After awarding the service contract, the real property instruments are signed transferring property to the new provider of the service. Phase III of the Utilities Privatization process concludes with the implementation of the transition plans.

Air Force Utilities Privatization Program Update

1 May 2000

AF Privatization
Program Targets/Status



PROGRAM INVENTORY		# of Systems	
Total systems in inventory		640	
Privatized pre-DRID #49		81	
Owned by others at overseas installations		49	
Viable candidates for privatization		510	80%
PROGRAM STATUS		# of Systems	
"Go" decisions to date for active duty and Air Force Reserve systems		191	
"Go" decisions to date for Air National Guard systems		181	
"No-Go" decisions pending due to national security requirements		79	
Total "Go/No-Go decisions" made to date		451	88%
Request for Proposals (RFP's) submitted to date		38	7%
Award Contracts for System Transfer		0	0%